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DCHA/FFP JDWORKEN, PMOHAN, PBERTOLIN
NAIROBI FOR CBUZZARD, PEWELL, SERVES, KSUNDSMO, WKNAUSENBERGER

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SUBJECT: USAID/ETHIOPIA'S GLOBAL FOOD SECURITY RESPONSE (GFSR):
LIVESTOCK SECTOR IN ETHIOPIA

Summary

¶1. USAID/Ethiopia inaugurates a series of background pieces profiling livestock, food security, Comprehensive Agriculture Africa Agriculture Development Program (CAADP) status, private sector and other topics related to GFSR. We hope these information sharing cables will be useful in keeping the GFSR Washington, Nairobi and other teams abreast of USAID/Ethiopia's progress on GFSR and be an opportunity for the teams to raise questions on our strategy development process.

¶2. This cable focuses on the livestock sector in Ethiopia and makes initial recommendations on its role in USAID/Ethiopia's GFSR strategy. The Global Food Security Response (GFSR), includes livestock and livestock products as staple foods. Ethiopia has the largest livestock population in Africa. In Ethiopia, livestock products for consumption and sale form a significant part of the household nutrition intake, and their sale constitutes a major proportion of the household income.

¶3. USAID/Ethiopia supports a combination of livestock programs aimed at improving productivity, processing, marketing, and private sector involvement in the livestock sector. GFSR will provide USAID/Ethiopia with the opportunity to build upon successes by scaling up and implementing new and innovative livestock programs to address ongoing constraints in the sector.

Role of Livestock in Ethiopia's Economic Development

¶4. Ethiopia has the largest livestock population in Africa. According to the Government of Ethiopia's (GoE) Central Statistical Agency (CSA), there are approximately 40.4 million cattle, 20.7 million sheep, 16.3 million goats, 2.5 million camels, and 32.2 million poultry. They are a major part of the country's agricultural production and consumption systems. Livestock play a significant role in food security by providing milk, meat, butter, eggs, blood, draught power, manure (fertilizer), and transport. Livestock also play a vital social and cultural role and act as a form of 'savings' since animals are seen as a moving capital base and the returns on livestock production are far greater than saving cash in a bank.

¶5. Livestock and livestock products contribute at least 40 percent of Ethiopia's agricultural Gross Domestic Product (GDP) and 20 percent of the total GDP. The value of livestock is estimated to constitute 9 - 12 percent of formal export revenue, but much higher with non-formal trade included.

¶6. Pastoral areas, which predominate in eastern and southern Ethiopia, account for almost 40 percent of the total livestock population and there is significant cross-border livestock trade between Kenya, Ethiopia, Djibouti, Sudan, Somalia and the Middle East. Most of the inter-regional trade is informal but research conducted by the Common Market of Eastern and Southern Africa (COMESA) estimates that the value of this livestock trade exceeds \$60 million per annum.

¶7. In most parts of the rural highlands in Ethiopia which practice mixed crop-livestock farming, the relationship between livestock and crop production is immense with the oxen plow driving crop production. Data from the GoE's CSA and the International Food Policy and Research Institute indicate that 44 percent of small scale agricultural holders use oxen plow. Additionally, livestock manure is most commonly used as fertilizer and fuel energy.

¶8. Due to its importance in agricultural production, food security, and the national economy, livestock, if given the appropriate policy and financial support, can contribute significantly towards the attainment of Millennium Development Goal One that strives to halve hunger and poverty.

USAID/Ethiopia's Support to the Livestock Sector

¶9. USAID-Ethiopia supports livestock programs and activities that increase livestock productivity, marketing and processing of livestock products. Some examples follow:

- Through the sheep and goat productivity program, USAID supports the introduction of better producing exotic breeds of sheep (dorper) and goat (boer) from South Africa. The project is cross-breeding the exotic breeds with local breeds, which will benefit over 40,000 households. A best-practice breeding and nutrition handbook has been developed and is widely used by producers and government officials.

- USAID supports a private sector-led dairy industry built on private investment that generates employment and income for smallholder families. It uses a value chain approach that includes milkshed development, supporting business development services, strengthening market linkages and supporting co-operatives and dairy processing plans. Dairy sales by assisted producer groups are over \$4 million, double the target.

- In order to increase meat and livestock exports USAID supports strengthening sanitary and phyto-sanitary standards (SPS). SPS certification and

quality management systems have been developed with training provided to veterinarians, government officials, and exporters, and trade delegations have been supported.

- Leather and leather products constitute Ethiopia's fourth largest export revenue stream of the country. USAID/Ethiopia, through the Agribusiness and Trade Enterprise Program (ATEP), supports tanneries to compete more effectively in the global marketplace, and in turn expand more purchases of raw materials from rural producers and increase rural household incomes from the sale of hides and skins. The project has attracted huge attention from the GOE and been successful in securing orders of leather products to the U.S.

- In the pastoral areas, through the Pastoralist Livelihood Initiative (PLI) project, USAID supports the expansion of community-based animal health services, improvement in rangeland/water resource management techniques and establishment of livestock market infrastructure to improve access to fair markets and improve benefits accrued for producers.

Lessons Learned

¶10. The program outcomes and deliverables show that by adding value to animal products sold by smallholder farmers, they receive better prices and thus have a higher income. The estimated economic benefits far outweigh the USAID annual investments.

¶11. Striking a balance between household livestock numbers and the available land spaces is important. For example, in the highland areas of Ethiopia, farmers have small land holding size and livestock mobility is not feasible therefore increased livestock numbers are not appropriate. Instead, farmers should focus on increasing livestock productivity to achieve higher milk yields and faster weight gain. This can be achieved through forage production, use of improved genetics and farmer training.

¶12. USAID supported diversification of markets for pastoralists' livestock has helped to re-establish strong livelihoods in program areas. Traditional markets for sheep and goats through Somalia and cattle through Kenya have been supplemented by access to formerly remote domestic livestock markets in Ethiopia as well as chilled meat and live animal exports. This has improved the bargaining power of pastoralists, and therefore increased prices and improved livestock based livelihoods.

¶13. Supporting the livestock economy in pastoral areas reduces vulnerability and also spurs economic growth. Through a combination of early de-stocking and maintenance of breeding herds in program areas, pastoralists have been able to better feed themselves during droughts and more quickly recover viable herd sizes for economic growth. These activities have now been adopted as best practices by the GOE and can be expanded to all pastoral areas. Impact assessments of USAID supported activities have already demonstrated the effectiveness of early emergency response in maintaining pastoralist livelihoods and reducing dependency on food assistance (with cost benefit as high as 1:44). (Further details will be provided in a subsequent cable on pastoralism and the GFSR.)

Livestock and Climate Change Adaptation

¶14. Early indications of the impact of climate change on Ethiopia and the potential impact on agriculture are very worrying, arguing for strengthened livestock development. FEWSNET forecasts that within 10 - 15 years, one of Ethiopia's two harvest seasons will drastically decline. The seasonal rains for the second harvest have at least partially failed in eight of the last twelve years, and if the long term prospects are for the disappearance of these rains, it will have an enormous impact on Ethiopia's agricultural production.

¶15. Improved livestock production is one of the solutions to balancing livelihoods. Livestock can help farmers in marginal areas to manage risks and protect savings. Although vulnerable to long term rainfall reduction and droughts, pasture and water supply are more resilient to seasonal changes than crops. As lowlands potentially become drier, pastoralist livelihoods will have to adapt, with fewer, or more drought resistant, livestock in some areas and the potential expansion of pastoralism to areas that can no longer support crop production. For example, the Borena pastoralists that used to keep cattle are now trying to change to camels due to their ability to cope better in dry conditions.

Livestock and Pastoralism in CAADP

¶16. USAID/East Africa, through the Regional Enhanced Livelihoods in the Pastoral Areas (RELPA) program, is supporting the Ethiopia Comprehensive Africa Agriculture Development Program (CAADP) process and USAID/Ethiopia has been an active participant in the CAADP roundtable meetings and discussions. (Further details will be provided in a subsequent cable on Ethiopian CAADP process and content.)

----- Conclusions: Challenges

¶17. Despite the potential of Ethiopia's livestock sector as USAID/Ethiopia's programs demonstrate (see paras 9-10 above), a variety of constraints hinder livestock production, productivity and marketing. These include, but are not limited to, inadequate and low quality of animal feed, inadequate animal health services, land degradation, unimproved animal breeds, policy and institutional challenges such as excessive regulation, marketing and processing constraints. USAID/Ethiopia's programs address many of these constraints, but need to scale up its successes to begin to unblock the bottlenecks.

¶18. The livestock and pastoralist sectors in Ethiopia are poised for dramatic growth. The market demand for livestock products is robust and growing, in Ethiopia, across the East Africa region and the Middle East, due to population growth, urbanization, and increased disposable incomes. Ethiopia's proximity to Middle East markets, with their preference for natural rangeland livestock, has potential to increase livestock exports and earnings.

¶19. The GFSR provides an opportunity for USAID to link livestock to CAADP and Climate Change umbrella activities, both in the highland areas and in pastoralist and agro-pastoralist areas. GFSR also provides an opportunity to link the experience already gained by USAID/Ethiopia in the fields of dairy development, meat and livestock exports, value chain analysis, and breed enhancement to multi-agency initiatives with the GOE on agricultural growth.

¶20. Under GFSR, USAID/Ethiopia plans to build on and scale up successful models such as the Ethiopian Dairy Development, the Sheep and Goat Productivity and Support to Livestock and Meat exports. The concept of value chain analysis, value addition and processing of the livestock and livestock products will form the basis of future programming. The involvement of the private sector will be given priority.

¶21. USAID/Ethiopia will also explore new opportunities that will improve and increase livestock feed production systems, animal health services delivery and coverage in the country. Opportunities for improving camel production and processing of camel milk and meat will be explored and scaled up.

¶22. USAID/Ethiopia will continue to support livestock meat exports through new and innovative approaches, such as commodity-based export systems that supply processed livestock products at internationally recognized standards to importing nations as being advocated by the Common Market for East and Southern Africa

(COMESA).

¶23. Specific livestock policy and institutional constraints will be addressed through the Livestock Policy Forum of the Ministry of Agriculture and Rural Development building upon pastoralist's livelihood initiatives lessons learned on policy and institutional changes that are supported by evidence base such as the participatory impact assessments and cost benefit analysis.

GONZALES